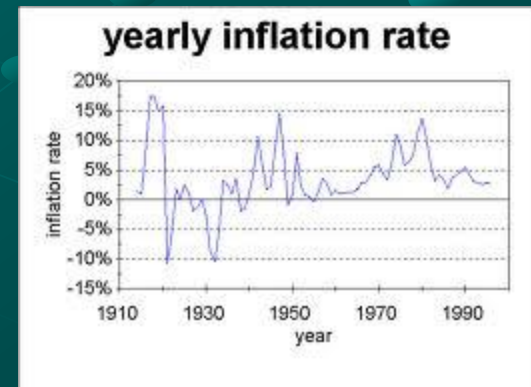




Measuring Broad Economic Goals



Employment Act of 1946

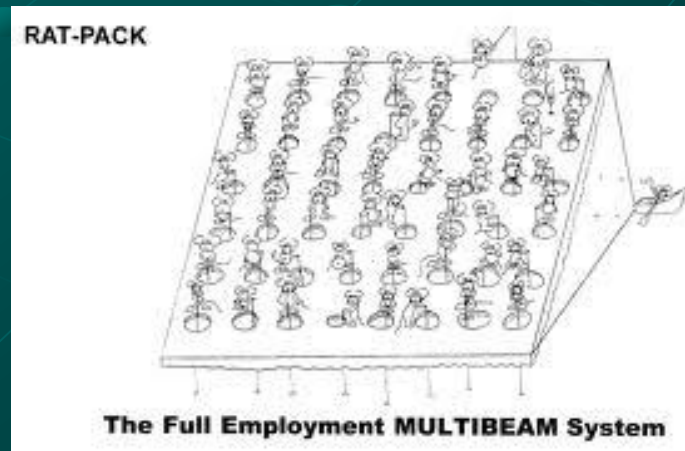
● 3 major goals for economy:

- Full Employment
- Price Stability
- Economic Growth



Full Employment

- AKA “Natural” unemployment
- 0 Cyclical unemployment
- Frictional, Structural, Seasonal always exists
- 4% unemployment desired (Humphrey-Hawkins 1978)



Price Stability

- ***Average LEVEL*** of prices should remain stable
- Inflation – rise in the PRICE LEVEL
- Deflation – fall in the PRICE LEVEL
- Measured mainly by Consumer Price Index (CPI)



Economic Growth

- Increase in **real output** of goods/services
- Measured by GDP adjusted for inflation
 - (REAL GDP)
- % increase in growth > % increase in population
= increase in standard of living

